

Message Text

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ACTION NEA-10

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SUBJECT: ISRAELI PRESS REACTION TO PROPOSED U.S. AID PACKAGE

REF: TEL AVIV 6926

BEGIN UNCLASSIFIED. BEGIN SUMMARY.

1. ISRAELI PRESS REACTION TO PROPOSED U.S. AID TO ISRAEL OF \$2.24 BILLION IN FY 76 CENTERS ON REPORTS OF PRIME MINISTER RABIN'S CRITICAL REMARKS AT CABINET MEETING NOV 2. SHARPLY CRITICAL COMMENT STEMS FROM ISRAELI EXPECTATION THAT US AID PACKAGE WOULD TOTAL \$2.3 BILLION, TWO-THIRD OF WHICH WOULD BE GRANT. END SUMMARY.

2. NOV 2, JERUSALEM POST (BLITZER), WRITES THAT IN OCT 31 MEETING WITH SECRETARY KISSINGER, DINITZ QUOTE EXPRESSED ISRAEL'S RESERVATIONS ABOUT THE FORD ADMINISTRATION'S PROJECTED ECONOMIC AND MILITARY AID PROPOSALS UNQUOTE AND QUOTE COMPLAINED ABOUT THE ADMINISTRATION'S DECISION TO CUT THE AID PACKAGE FOR ISRAEL BY \$60 MILLION AND TO REDUCE THE PORTION OF THE \$2,240 MILLION BILL THAT WOULD BE IN THE FORM OF AN OUTRIGHT GRANT UNQUOTE. DINITZ ALSO REPORTEDLY

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POINTED OUT THAT ISRAEL WAS DISPLEASED WITH LANGUAGE OF

AID REQUEST WHICH PRAISED EGYPT FOR ITS WILLINGNESS TO REACH AN AGREEMENT ON SINAI WITHOUT ANY RECOGNITION OF ISRAEL'S CONCESSIONS.

3. NOV 3, JERUSALEM POST, IN AN UNSIGNED DISPATCH CITES RABIN AS SAYING THAT QUOTE FORD ADMINISTRATION WAS NOT LIVING UP TO ITS PROMISES UNQUOTE. ADMINISTRATION'S REQUEST FOR AID TO ISRAEL WAS LESS THAN AGREED IN NEGOTIATIONS WITH GOI PRECEDING SINAI ACCORD AND ON LESS FAVORABLE TERMS, ACCORDING TO DISPATCH.

4. NOV 4, JERUSALEM POST (LANDAU) HAS WELL-PLACED JERUSALEM SOURCES SAYING QUOTE IT IS NOT THE MONEY--TOUGH NO ONE IS SNEEZING AT \$60 MILLION--IT'S THE PRINCIPLE THAT CONCERNS US UNQUOTE. STORY STATES THAT ALTHOUGH NOT PUBLISHED, RABIN'S CRITICISM WAS NOT DENIED BY GOI OFFICIALS AND, IN FACT, ALL MEDIA WERE MADE AWARE OF IT. RABIN WAS AWARE THAT ACCUSATIONS OF INGRATITUDE MIGHT BE MADE BY US COMMENTATORS. HOWEVER, HE BELIEVED THE PRINCIPLE INVOLVED--THE CREDIBILITY OF THE ADMINISTRATION'S UNDERTAKINGS TO ISRAEL--WAS SUFFICIENTLY SERIOUS TO WARRANT THE RISK. PRESIDENT FORD AND SECRETARY KISSINGER HAD APPROVED BOTH TOTAL AND CONTENT OF AID PACKAGE. MOREOVER, RABIN WAS REPORTEDLY NOT SATISFIED WITH SECRETARY KISSINGER'S EXPLANATIONS TO DINITZ THAT (1) THE REDUCTIONS IN THE AID PROPOSAL WERE NECESSARY SO THAT CONGRESS WOULD APPROVE IT AND (2) THE \$60 MILLION WOULD BE INCLUDED UNDER OTHER AID CATEGORIES SUCH AS IMMIGRANT ASSISTANCE, PL 480 OR HOUSING GUARANTEES.

5. HAARETZ (GOLAN) NOV 3 ADDS THAT THE STRONG WORDS OF THE PRIME MINISTER TO THE EFFECT THAT THE UNITED STATES HAS VIOLATED THE AGREEMENT WITH ISRAEL IS BEING INTERPRETED IN JERUSALEM AS AN INTENTION ON THE PART OF MR. RABIN TO PREVENT EROSION IN IMPLEMENTING WASHINGTON'S COMMITMENT TO JERUSALEM WITHIN THE FRAMEWORK OF THE INTERIM AGREEMENT. THE FIRST SIGN OF SUCH AN EROSION WAS IN THE DELAYING OF ARMS SHIPMENTS TO ISRAEL. IT SEEMS THAT MR. RABIN FEARS THAT WITHOUT A PROPER ISRAELI REACTION THOSE TWO INSTANCES WILL NOT REMAIN ISOLATED.

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6. AL-HAMISHMAR (SHKHORI) NOV 3, REPORTS THAT POLITICAL OBSERVERS BELIEVE THAT THE PRIME MINISTER WILL NOW TRY TO POSTPONE HIS VISIT TO WASHINGTON AS LONG AS POSSIBLE IN ORDER TO EXPRESS IN THIS WAY HIS DISSATISFACTION WITH THE DEVIATION WHICH HAS TAKEN PLACE IN ADMINISTRATION ASSISTANCE REQUEST TO CONGRESS. AT THE CABINET MEETING YESTERDAY IT WAS EMPHASIZED THAT THE ISSUE INVOLVES NON-

COMPLIANCE WITH AN AGREEMENT, AND THAT ISRAEL SHOULD TAKE
A FIRM POSITION IN THE LIGHT OF THIS DISTURBING VIOLATION
OF THE AGREEMENT.

7. HATZOFEH (JERUSALEM CORRESPONDENT) NOV 3, WRITES
THAT IT SEEMS THAT SECRETARY KISSINGER WAS RIGHT WHEN HE
SAID THAT THE AGREEMENT BETWEEN THE UNITED STATES AND
ISRAEL, ASSOCIATED WITH THE INTERIM AGREEMENT, DOES NOT
COMMIT THE UNITED STATES FROM A JURISDICTIONAL POINT OF
VIEWS.

8. NOV 2, JERUSALEM POST CARRIES FRONT PAGE STORY FROM
WASHINGTON CORRESPONDENT WITH HEADLINE THAT CUT IN
AID WILL BRING MORE HARDSHIP FOR ISRAEL TAXPAYER. STORY
CLAIMS THAT QUOTE ADMINISTRATION APPEARS TO HAVE MISLED
ISRAEL ABOUT EXACT TERMS OF \$2,240 MILLION MILITARY AND
ECONOMIC AID PORTION INCLUDED FOR ISRAEL UNQUOTE.
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9. COMMENT: ISRAEL'S STRONG REACTION TO ADMINISTRATION'S
AID PROPOSAL OUT OF PROPORTION TO ECONOMIC FACTS.
ADMINISTRATION'S \$2.24 BILLION PROPOSAL DOES NOT REPRE-
SENT ANY QUOTE CUT UNQUOTE BECAUSE USG ASSISTANCE IN
FY 1975 AMOUNTED TO \$761 MILLION. PROPOSAL IN FACT
REPRESENTS ALMOST A THREE FOLD INCREASE. MOREOVER, \$60
MILLION IS ONLY 2.6 PERCENT OF THAT AMOUNT AND HARDLY CAUSE
FOR SUCH REACTION. GRANT/CREDIT ARGUMENT UNDERLINES ISRAEL'S
CONCERN ABOUT GROWING FOREIGN INDEBTEDNESS AND DEBT
SERVICING BURDEN.

10. ISRAEL'S RACTION BETTER UNDERSTOOD AS FUNCTION OF
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GROWING AWARENESS OF INCREASINGLY DIFFICULT ECONOMIC
SITUATION. THERE IS GREAT EXPECTATION BY PUBLIC THAT
NEW AUSTERITY PROGRAM WILL BE ANNOUNCED SOON, INCLUDING
MEASURES AGAINST UNTAXED OR QUOTE BLACK UNQUOTE MONEY.
RUMOR MILL IS WORKING OVERTIME AND STIMULATING HOARDING
AND SPECULATION. BLACK MARKET RATE NOW AT ISRAELI POUND
TEN PER DOLLAR, AND NATAD AT RECORD 8.49 PER DOLLAR. IN
THIS CONTEXT, ISRAELI REACTION AT ANY REDUCTION IN EXPECTED
EXTERNAL ASSISTANCE, ESPECIALLY FROM U.S., LIKELY TO BE
MAGNIFIED OUT-OF-PROPORTION, AS IN PRESENT CASE.
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